

## **Renovation expenses tax deductible while calculating capital gain on house sale**

I am an IT consultant. I received certain fee from my clients who did not deduct any TDS. Do I need to pay advance tax?

Devesh Kumar

As per Section 209 of the Income Tax Act, 1961, the tax deductible or collectible shall not be reduced from the amount of tax calculated on the estimated income to determine the advance tax payable, if the payer has paid or credited the income without deduction, or if the money is received or debited by the recipient without collection of tax. Therefore, as you have received fees without deduction, you will be liable for payment of advance tax.

I could not file my I-T returns for FY11 & FY12. Can I file the returns now?

Sanjeev Gupta

As per provisions of the Income Tax Act, if a taxpayer has not furnished the return of income within the time allowed under Section 139(1), he may furnish the return of income at any time before the expiry of one year from the end of the relevant assessment year or before the completion of assessment, whichever is earlier. Thus, you can file the return of income for FY11 by March 31, 2013, and for FY12, by March 31, 2014.

In 2010, I spent R7.5 lakh on renovating my house held for more than eight years. Now, I need to sell this house. Can I claim deduction of renovation expenses besides the cost of the house while calculating capital gain?

Raminder Singh

As you had spent money on renovation of house, which is capital in nature, you can claim the deduction for such expenses as cost of improvement of the house while calculating income taxable under the head, 'capital gain'. Further, since the house has been held for more than 36 months, it would be treated as a long-term capital asset. In such a case, the benefit of indexation shall also be available on the cost of improvement from the year in which such costs were incurred.

I have brought forward loss under the head, house property. Next month, I plan to sell some units of MFs. Will I able to set off the brought forward loss of house property against the capital gain on sale of units of MFs?

Gaurav Mondal

The brought forward loss under the head, 'income from house property', cannot be set off against any income except under the head, income from house property. As such, you will not be able to set off the brought forward loss of house property against capital gain on sale of units of MFs.

I have two houses. I run a shop in one house and use the other for residence. Kindly guide me about the wealth tax liability?

Deepak Pradhan

For levying wealth tax, specified assets do not cover any house that the taxpayer may occupy for any business or profession carried on by him. As far as a house that is used for residential purpose is concerned, it is covered under specified assets and, hence, taxable. However, one house is exempt in case of an individual under Section 5(vi) of Wealth Tax Act, 1957. Accordingly, there will be no wealth tax liability with respect to both houses.

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